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New Zealand

FRESH DECIDUOUS FRUIT SEMI-ANNUAL

New Zealand 2009 Seasonal Report

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Report Highlights:

At 454,150 tons, New Zealand apple production in MY 2008 is up 3.2% over last year but less than originally forecast. The good quality of this year’s crop means that less fruit is destined for processing, down an estimated 16% from last year, but more is destined for export. Based on official Pipfruit New Zealand crop estimates released in February, 2009 and subsequent interviews with industry contacts, exports are forecast to reach 294,250 tons, up nearly 13% from last year.

Executive Summary:

At 454,150 tons, New Zealand apple production in MY 2008 is up 3.2% over last year but less than originally forecast. The good quality of this year’s crop means that less fruit is destined for processing, down an estimated 16% from last year to 105,000 tons, but more is destined for export. Based on official Pipfruit New Zealand crop estimates released in February, 2009 and subsequent interviews with industry contacts, exports are forecast to reach 294,250 tons, up nearly 13% from last year.

The variety make up of New Zealand's apple exports is changing. In CY 2000, the Braeburn variety accounted for 35% of New Zealand's total apple exports but, by CY 2008, this variety had fallen to 27%. Royal Gala is now the most significant New Zealand export variety accounting for 38% of total exports in CY 2008. Fuji is the third most important variety, however, other varieties are becoming increasingly important including Jazz, Cripps Pink (Pink Lady), and the Pacific series of apples (eg Pacific Beauty, Pacific Queen and Pacific Rose). While there has been a consolidation in the number of growers and marketers in the New Zealand apple industry, there has been an increase in the varieties exported and marketed worldwide.

The United Kingdom is still the top export market for New Zealand apples but is declining in importance and now accounts for just 17% of total exports, down from 22% in CY 2006. On the other hand, many Asian markets are growing in importance and, according to Pipfruit NZ, now account for approximately 23% of total exports. By contrast, North America accounts for 15.4%.

In MY 2008, approximately 9% of New Zealand's apple production area was certified organic with an additional 2% in the conversion process. This is up from 8% in MY 2007. An estimated 6% of the export crop is certified organic.

New Zealand initiated a WTO case against Australia regarding market access for apples in 2007. The case is proceeding and oral hearings are scheduled to take place June 30–July 2, 2009. The WTO case turns on whether Australia has drawn rational conclusions in relation to the available science, and applied appropriate market access restrictions as a result. The diseases at issue are Fireblight, European Canker and Apple Leaf Curling Midge. The New Zealand submission highlights the shortcomings in what is viewed as a highly politicized process of dealing with the New Zealand application.

Commodities:
Apples, Fresh
Apple Juice, Concentrated
Pears, Fresh

Production:

Apple production

As one New Zealand grower/packer put it: "it was like we dialed this season up". In both major growing regions, Hawkes Bay on the North Island and Nelson on the South Island, deciduous fruit growers have had a trouble free growing season with good sunshine levels. Disease pressure late in the season has been low.

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According to industry contacts, this could be the best crop in a decade. National average yields are relatively high at 52-54 tons per hectare.

Registered seasonal employer (RSE) scheme

The Registered Seasonal Employer (RSE) scheme is reportedly working well and has gotten excellent reviews from growers. The scheme allows registered employers to bring in workers from the Pacific islands for the harvest season. Employers reported that 80 to 90% of the workers who picked crops in 2008 returned in 2009. The workers were able to build on the skills developed last season and growers reported that more skilled picking resulted in higher quality fruit. Under the program, workers return to their home countries once the harvest is completed.

Grower profitability

Andrew Fenton, Chairman of Horticulture New Zealand, which is an umbrella organization funded by growers, commented in the May 2009 issue of Orchardist magazine that, according to his estimates, over the last five years less than 20% of growers would have averaged a net profit anywhere near a commercially acceptable return on investment of 10 to 12%, with most receiving a mere 1 to 3% return on investment and 30% of growers returning losses. There are several factors that are reportedly eroding grower returns including high energy costs. However, he indicated that many New Zealand producers are still producing commodity apples that are over supplied on world markets, which has driven down prices. The number of growers in New Zealand has fallen significantly to approximately 500.

New varieties

Less profitable blocks of the commodity varieties Royal Gala and Braeburn, which still comprise 65% of total exports but down from 76% in MY 2006, continue to be pulled out but still constitute approximately 53% of total hectares planted. The Braeburn variety seems to be the most out of favor at the moment but some industry contacts expect Royal Gala to come under more downward price pressure in the future.

Growers are looking to new varieties including Pink Lady (the club brand for Cripps Pink) and Jazz, both of which have achieved premiums over commodity varieties for the last two to three years. Production of Jazz, a commercially controlled variety licensed to ENZA, is expected to double this year and will likely enjoy further increases over the next couple of seasons. Growers of Pink Lady pay a levy and the funds are used to market the brand.

New Zealand: Apple Prices
(NZ$ per tray carton equivalent)

Variety	MY 2005	MY 2006	MY 2007
Braeburn- conventional	19.42	16.29	25.09
Royal Gala- conventional	19.26	19.13	22.16
Jazz- conventional	34.24	29.57	30.98
Cripps Pink/Pink Lady- conventional	26.56	25.8	32.12
Braeburn – Organic	48.17	30.75	35.14
All Apples - Organic	NA	32.45	36.03

Note: One Tray Carton Equivalent is equal to 18 kgs; figures on a free alongside basis
Source: Pipfruit NZ

Other new varieties being planted include Envy (a relative to Jazz and also licensed to ENZA), Tentation, and Kiku, as well as disease resistant varieties especially suited to organic production such as Ariane, Defloki, Delfloga. A new joint venture of nine marketing and growing companies which will operate under a club like model has obtained the license for two new varieties from Hort Research's commercial arm Prevar. PremA193 and PremA17 are expected to receive brand names soon.   PremA193 is a Royal Gala and Braeburn cross that has a mild, sweet flavor and is expected to be successful in Asian markets.

Organic apple production

In MY 2008, approximately 9% of New Zealand's apple production area was certified organic with an additional 2% in the conversion process. This is up from 8% in MY 2007. An estimated 6% of the export crop is certified organic.

In MY 2005, organic apple exports achieved price premiums over conventional fruit of approximately NZ $28.00/TCE (1TCE=18kg). In MY 2006, the premium was NZ $13 and by MY 2007 it has dropped to NZ $11.50. This year, some organic growers are reportedly opting to sell a proportion of their crop as conventional as a means to maintain price premiums for organic product.

Pear production

Pipfruit New Zealand recently released new data that reduced the actual orchard area for pears from 735 to 412 hectares in MY 2008. The reduction in area is due to a change in the way land area is calculated and does not reflect a trend toward reduced production. Post estimates total production in MY 2008 at 14,950 tons, a 5.5% increase over MY 2007 but 550 tons (3.5%) less than post's November 2008 forecast.

Concentrated apple juice

The volume going to processors will fall in MY 2008 for two primary reasons. First, the price offered for processing has been reduced dramatically and isn't high enough to attract growers to commit whole blocks of fruit to process. Second, because the percentage of fruit brought into the shed and packed out is so high this year, less fruit is being diverted from the pack shed to processors. An estimated 105,000 tons of apples will be diverted to processing, which should produce 15,750 tons of concentrated juice.

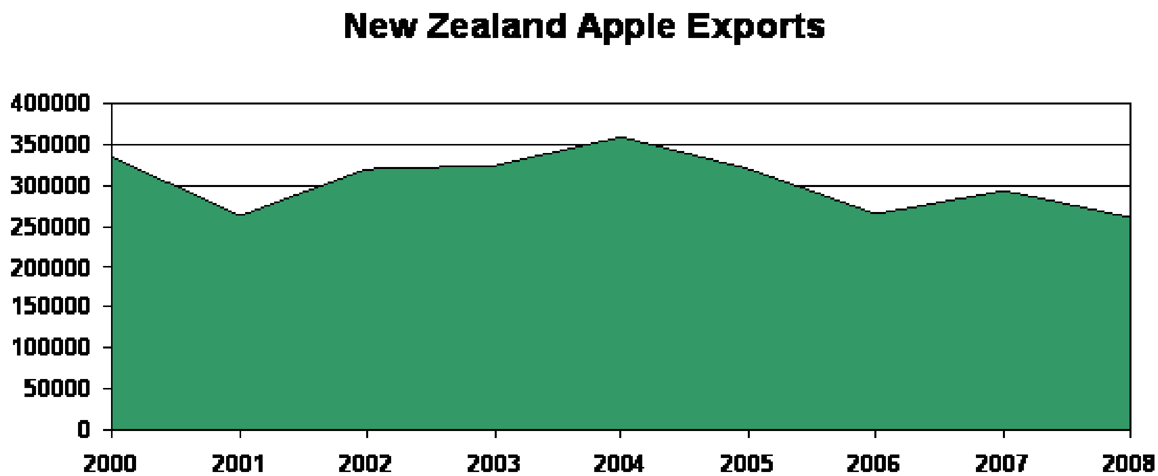
Consumption:

In New Zealand apples are priced relatively competitively with other fruit and it is thought that the trading down effect, brought on by the global credit crisis, might actually encourage consumption. Post expects a 2% increase in consumption in MY 2008 to 56,600 tons.

Trade:

Apple exports

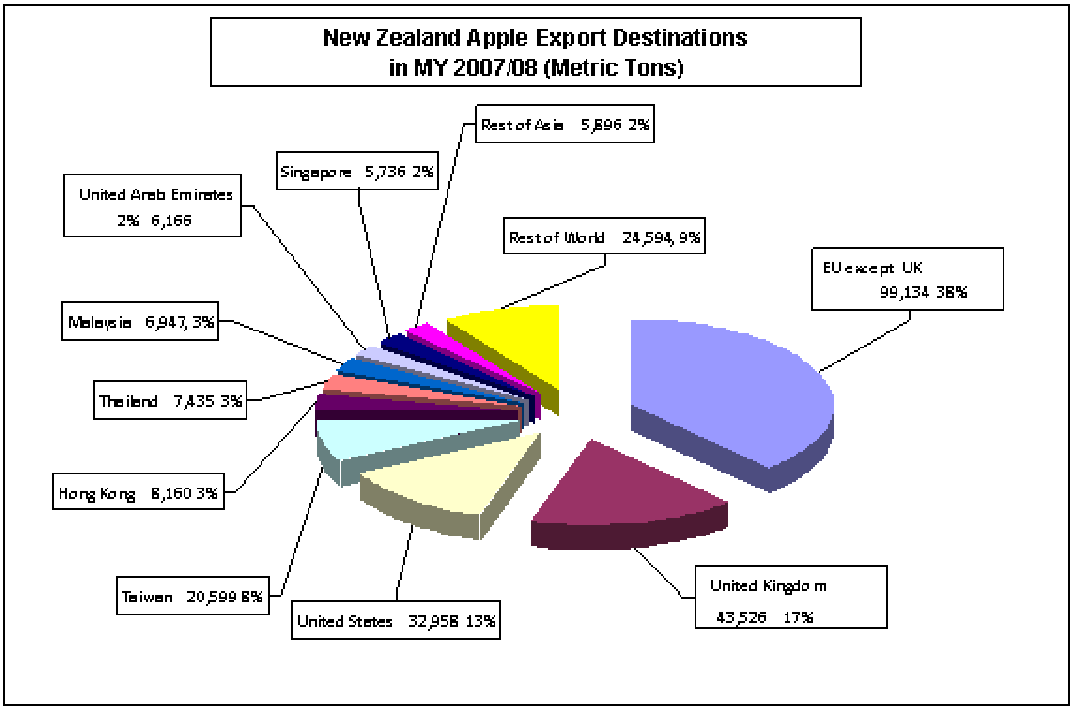
MY 2008 exports are forecast to rebound to 294,250 tons surpassing the level achieved in MY 2006. This is close to a 13% increase over MY 2007's exports. The combination of a good growing season and export opportunities in Asia resulted in exports by the end of March 2009 running 11,000 tons ahead of last year at 69,000 tons. Reportedly, Asian markets have been performing well so far this year and the Pacific series varieties have been well received by customers.

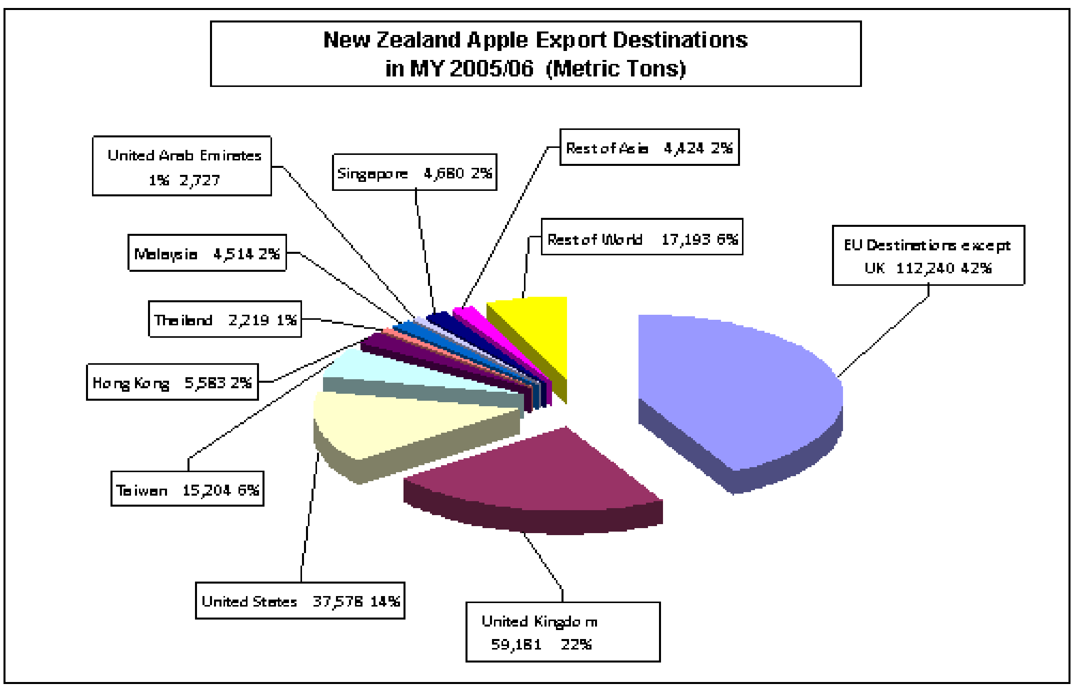


Source: Global Trade Atlas
Note: Data is provided on a calendar year rather than a marketing year basis.

The variety mix of New Zealand's apple exports is changing. In CY 2000, Braeburn accounted for 35% of New Zealand's apple exports but, by CY 2008, had fallen to 27%. Royal Gala is now the most significant New Zealand export variety accounting for 38% of total exports in CY 2008. Fuji is the third most important variety; however, other varieties are becoming increasingly more important including Jazz, Cripps Pink (Pink Lady), and the Pacific series of apples (eg Pacific Beauty, Pacific Queen and Pacific Rose). While there has been a consolidation in the number of growers and marketers in the New Zealand apples industry, there has been an increase in the varieties exported and marketed worldwide.

The United Kingdom is still the top export market for New Zealand apples but is declining in importance and now accounts for just 17% of total exports, down from 22% in CY 2006. On the other hand, many Asian markets are growing in importance and, according to Pipfruit NZ, now account for approximately 23% of total exports. By contrast, North America accounts for 15.4%.





Source: Global Trade Atlas

Pear exports

Pear exports as of March 2009 are 200 tons or 10% ahead of the previous year and look set to hit 5,700 tons for the marketing year, a 19% improvement on the previous year.

Concentrated apple juice

As of March 2009, MY 2008 exports were 500 tons or 9% ahead of the previous year but are forecast to total 10,000 tons for the year, which is a decline of 11% compared to the previous year. This is in response to the lower volumes of apples available for processing.

Policy:

WTO case against Australia for apple access

New Zealand initiated a WTO case against Australia regarding market access for apples in 2007. The case is proceeding and oral hearings are scheduled to take place June 30 – July 2, 2009. The WTO case turns on whether Australia has drawn rational conclusions in relation to the available science, and applied appropriate market access restrictions as a result. The diseases at issue are Fireblight, European Canker and Apple Leaf Curling Midge. The New Zealand submission highlights the shortcomings in what is viewed as a highly politicized process of dealing with the New Zealand application.

Apple Futures program

Apple Futures is a three-year program designed to help New Zealand apple growers meet demands from consumers for "residue free" apples. Announced in July 2007, the New Zealand Government provided NZ $2 million for the project, which covers the Hawkes Bay, Nelson and Otago apple growing regions. The Government's funding was supplemented with NZ $667,000 from the pipfruit industry. The funding is being used to employ a national project manager and technical staff to implement a program to refine orchard management techniques including more intensive plantings, wider use of biological controls, and education about how to reduce pesticide use. It is hoped that the project will help counter the decline in the industry's exports and add value to existing exports. According to press reports, the results of the Apple Futures program have been very good. Pipfruit New Zealand reported that half of the fruit it tested in 2007/08 was completely free of residues and the other half had residues so low that they were at the limits of detection.

ASEAN, Australia and New Zealand FTA

After four years of negotiations, New Zealand, Australia and the Association of Southeast Asian Nations (ASEAN) signed a free trade agreement (FTA) in February 2009. The FTA will eventually eliminate tariffs on 99% of New Zealand's current exports to the four key ASEAN markets of Indonesia, Malaysia, the Philippines and Vietnam. On full implementation, this is estimated to equate to an annual duty savings of approximately NZ $50 million based on current trade. The agreement does not contain any specific agricultural safeguards. For more information on the agreement, click on this link: http://www.asean.fta.govt.nz

Countries within ASEAN comprise important second tier, but growing, markets for New Zealand apples which, in total, accounted for 9% of total apple exports in MY2007.

The four highest volume ASEAN countries for New Zealand apples - Thailand, Malaysia, Singapore and Indonesia - all charge tariffs on apples of 10% but, when the agreement comes into force in 2009, these four countries will lower their tariffs to zero.

Bio-Security is an ongoing issue

Suggestions from the Prime Minister's office that the Ministry of Agriculture and Forestry could relax border procedures for Australian visitors have been greeted with protests from HortNZ. In their view, any relaxation of bio-security at the borders could put the $2.5 billion horticultural industry at risk.

Production, Supply and Demand Data Statistics:

Apples, Fresh New Zealand	2006 Revised			2007 Estimate			2008 Forecast		
	October/September Marketing Year								
(Unit: Hectares/Metric Tons)	USDA Official	Post Estimate	New Post Estimate	USDA Official	Post Estimate	New Post Estimate	USDA Official	Post Estimate	New Post Estimate
Area Planted	8766	8766	8766	8640	8640	8640	8890	8890	8850
Area Harvested	0	0	0	0	0		0	0	8600
Bearing Trees	0	0	0	0	0		0	0	
Non-Bearing Trees	0	0	0	0	0		0	0	
Total Trees	0	0	0	0	0	0	0	0	0
Commercial Production	439000	439000	439000	425928	425928	425928	454900	454900	439150
Non-Comm. Production	13994	13994	13994	15000	15000	14154	15000	15000	15000
Production	452994	452994	452994	440928	440928	440082	469900	469900	454150
Imports	1105	1102	1102	1572	1572	1572	1100	1100	1700
Total Supply	454099	454096	454096	442500	442500	441654	471000	471000	455850
Fresh Dom. Consumption	68800	56000	56000	45038	55300	55300	46000	56000	56600
Exports, Fresh	279299	292096	292096	272262	262000	261154	300000	290000	294250
For Processing	106000	106000	106000	125200	125200	125200	125000	125000	105000
Withdrawal From Market	0	0	0	0	0	0	0	0	
Total Distribution	454099	454096	454096	442500	442500	441654	471000	471000	455850

Pears, Fresh New Zealand	2006 Revised			2007 Estimate			2008 Forecast		
	October/September Marketing Year								
(Units: Hectares/Metric Tons)	USDA Official	Post Estimate	New Post Estimate	USDA Official	Post Estimate	New Post Estimate	USDA Official	Post Estimate	New Post Estimate
Area Planted	734	734	734	735	735	735	735	735	412
Area Harvested	0	0	0	0	0		0	0	
Bearing Trees	0	0	0	0	0		0	0	
Non-Bearing Trees	0	0	0	0	0		0	0	
Total Trees	0	0	0	0	0	0	0	0	0
Commercial	15086	15086	15086	13971	13971	13971	15000	15000	14750

Production									
Non-Comm. Production	500	500	500	400	400	201	500	500	200
Production	15586	15586	15586	14371	14371	14172	15500	15500	14950
Imports	3000	2980	2980	3130	3129	3314	3050	3050	3050
Total Supply	18586	18566	18566	17501	17500	17486	18550	18550	18000
Fresh Dom. Consumption	10286	10300	10300	10301	10300	10300	10300	10300	10300
Exports, Fresh	5800	5766	5766	4800	4800	4786	5750	5750	5700
For Processing	2500	2500	2500	2400	2400	2400	2500	2500	2000
Withdrawal From Market	0	0	0	0	0	0	0	0	
Total Distribution	18586	18566	18566	17501	17500	17486	18550	18550	18000

Apples Juice, Concentrated New Zealand	2006 Revised			2007 Estimate			2008 Forecast		
	October/September Marketing Year								
(Unit: Metric Tons)	USDA Official	Post Estimate	New Post Estimate	USDA Official	Post Estimate	New Post Estimate	USDA Official	Post Estimate	New Post Estimate
Deliv. To Processors	106000	120000	106000	125000	126000	117776	110000	140000	105000
Beginning Stocks	0	0	0	1000	0	0	1550	1751	0
Production	17710	20000	16000	21250	19000	17700	18700	21000	15750
Imports	7700	6000	10405	5500	12164	10060	5610	10500	10250
Total Supply	25410	26000	26405	27750	31164	27760	25860	33251	26000
Exports	8410	13000	11354	10200	12913	11245	8860	14000	10000
Domestic Consumption	16000	13000	15051	16000	16500	16515	16000	17000	16000
Ending Stocks	1000	0	0	1550	1751	0	1000	2251	0
Total Distribution	25410	26000	26405	27750	31164	27760	25860	33251	26000

Author Defined:

Appendix 1. Previous Gain Reports

Previous GAIN Reports Submitted by the Agricultural Affairs Office Wellington, New Zealand		
NZ8007	New Zealand Announces FTA with China	April 17, 2008
NZ8010	Deciduous Fruit Semi-Annual Report	May, 2008
NZ8014	NZ Wine Industry Annual Report	July, 2008
NZ8019	Kiwifruit Report	Sept, 2008
NZ8027	Deciduous Fruit Annual Report	November, 2008